

# Discussion Materials

## City of Allentown

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# Core Real Estate Partial Redemptions

# Partial redemptions

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- Partial redemptions of \$7.3M and \$4.75M, respectively, for the Police and Fire were submitted to Morgan Stanley in Q4
  - The Funds received partial redemptions on 3/31 of \$0.8M and \$0.5M, respectively
- The remaining proceeds will be returned over a period of several quarters
  - Can use for rebalancing, cash needs, or extending the bond ladder, as appropriate

# Cash-Flow Update

# Cash flow projection assumptions\*

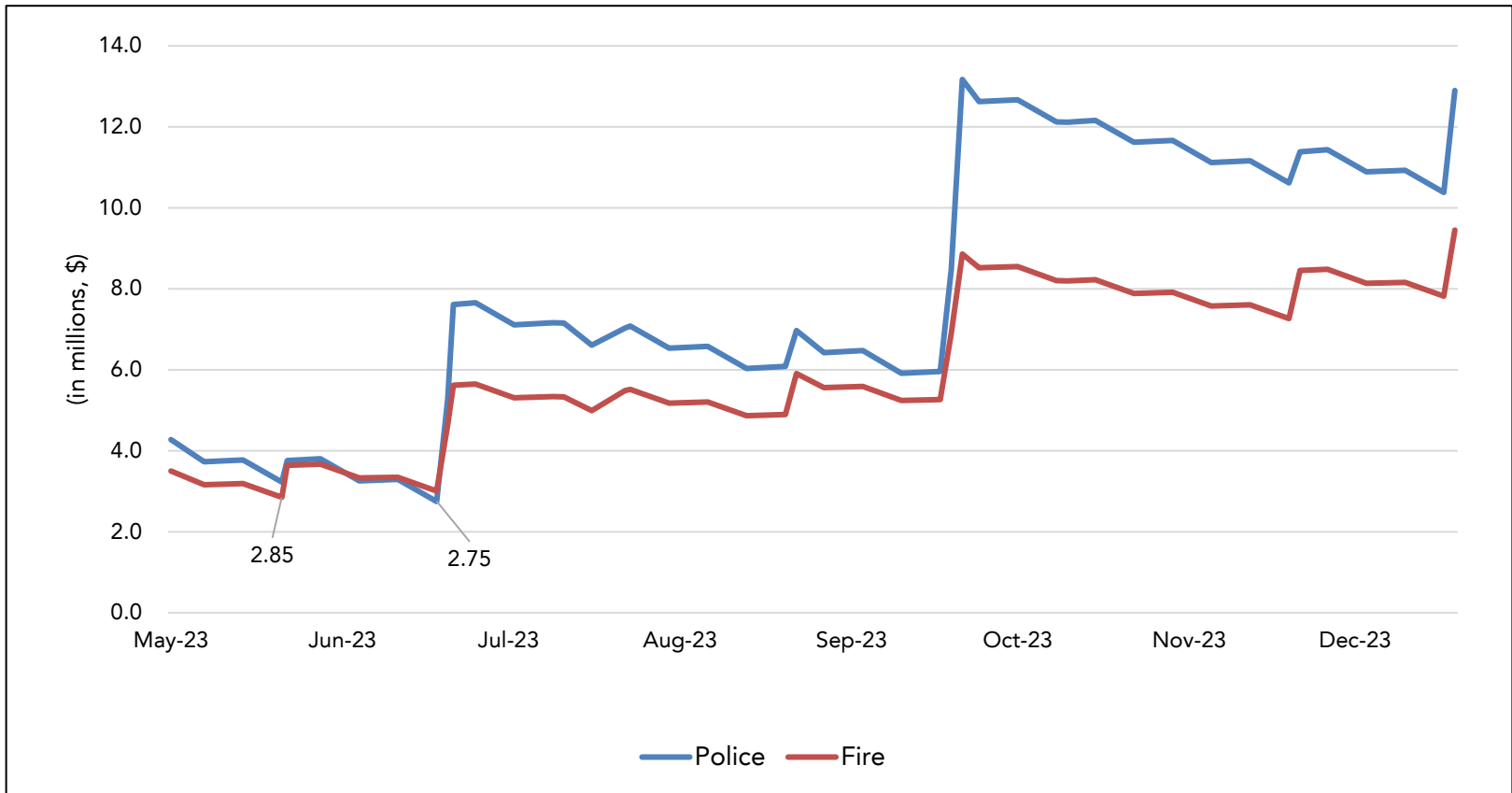
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- Bi-weekly withdrawals
  - Police: \$544,615 in 2023
  - Fire: \$340,769 in 2023
  - Officers & Employees: \$55,385 in 2023
- Bi-weekly contributions
  - Police: \$45,769 in 2023
  - Fire: \$28,462 in 2023
  - Officers & Employees: \$0 in 2023
- Projected MMO payments\*\*:
  - Police: \$9.37M in 2023
  - Fire: \$3.91M in 2023
  - Officers & Employees: \$230,000 in 2023
- Bond maturities
- Real estate partial redemptions
- Real estate and ETF dividends
- Fees are deducted

\*Employee contribution, benefit payment and MMO estimates provided by Cheiron.

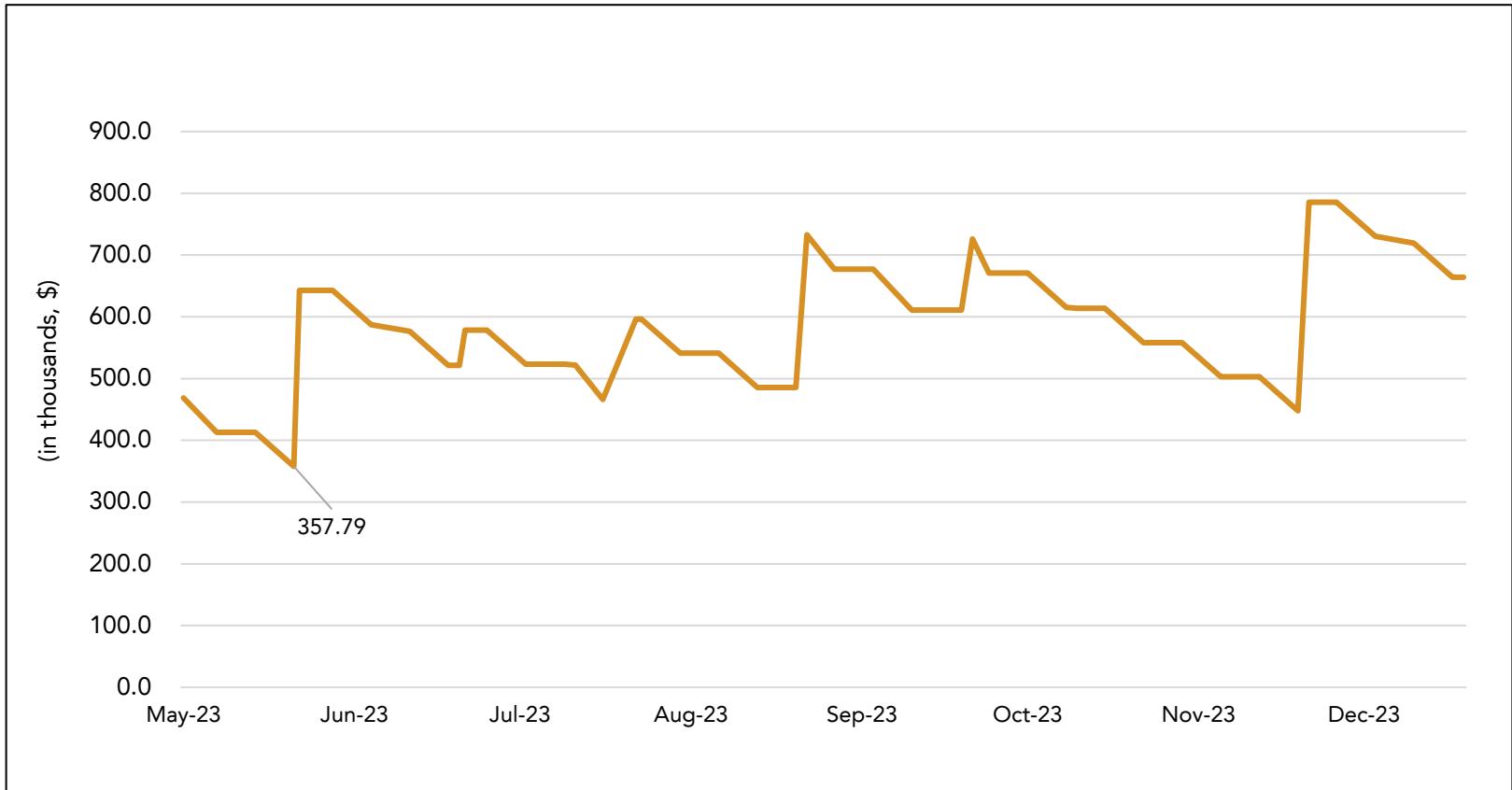
\*\*Like past years, assumes deposits are made in April and July, while Q3 and Q4 MMOs are deposited together in October.

# Police & Fire: cash projections\*



\*Assumes real estate redemptions are paid out evenly over remaining three quarters in 2023.

# Officers & Employees: cash projections





# Current yields

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1. Money Market yield: 4.88%
2. Core fixed income current yield: 4.28%

## Treasury Yield Curve

	6 Mo.	1 Yr.	2 Yr.	3 Yr.
11/10/22	4.52	4.59	4.34	4.17
02/16/23	4.98	4.99	4.62	4.35
05/11/23	5.14	4.70	3.89	3.56

Source: Refinitiv.

# Police projections

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities
2023	14,160,000	110,000	1,190,000	9,370,000	(3,710,000)	2,348,000
2024	14,850,000	120,000	1,240,000	8,690,000	(5,040,000)	5,062,000
2025	15,520,000	120,000	1,290,000	8,830,000	(5,520,000)	2,065,000
2026	16,100,000	130,000	1,350,000	7,830,000	(7,050,000)	-

# Police rebalancing proposal

	TICKER	TOTAL ASSETS	ALLOCATIONS	REBALANCING	TOTAL ASSETS	ALLOCATIONS	TARGET
<b>Police Pension Plan</b>							
		203,273,655	100.0%	0	203,273,655	100.0%	100.0%
<b>U.S. Equity</b>							
Vanguard Equity Income Fund Admiral	VEIRX	12,010,612	5.9%	0	12,010,612	5.9%	6.0%
Vanguard Mid Cap Index	VMCIX	5,726,834	2.8%	0	5,726,834	2.8%	3.0%
Vanguard Total Stock Market Index	VITSX	56,387,113	27.7%	0	56,387,113	27.7%	41.0%
Vanguard Total Stock Market Index ETF	VTI	24,714,659	12.2%	0	24,714,659	12.2%	
<b>Total U.S. Equity</b>		<b>98,839,219</b>	<b>48.6%</b>	<b>0</b>	<b>98,839,219</b>	<b>48.6%</b>	<b>50.0%</b>
<b>Global Equity</b>							
Dodge & Cox Global	DODWX	7,883,727	3.9%	0	7,883,727	3.9%	4.0%
<b>Total Global Equity</b>		<b>7,883,727</b>	<b>3.9%</b>	<b>0</b>	<b>7,883,727</b>	<b>3.9%</b>	<b>4.0%</b>
<b>Non-U.S. Equity</b>							
American Funds Int'l Growth & Income	RIGGX	12,101,052	6.0%	(550,000)	11,551,052	5.7%	6.0%
MFS Int'l Intrinsic Value Equity	MINJX	12,477,078	6.1%	(950,000)	11,527,078	5.7%	6.0%
<b>Total Non-U.S. Equity</b>		<b>24,578,131</b>	<b>12.1%</b>	<b>(1,500,000)</b>	<b>23,078,131</b>	<b>11.4%</b>	<b>12.0%</b>
<b>Real Estate</b>							
Morgan Stanley PRIME Property Fund (as of 3/31/23)	-	24,688,407	12.1%	0	24,688,407	12.1%	10.0%
<b>Total Real Estate</b>		<b>24,688,407</b>	<b>12.1%</b>	<b>0</b>	<b>24,688,407</b>	<b>12.1%</b>	<b>10.0%</b>
<b>U.S. Fixed Income</b>							
Vanguard Total Bond Market Index Inst	VBPIX	26,906,191	13.2%	1,500,000	28,406,191	14.0%	14.0%
Baird Core Plus Bond Fund	BCOIX	6,112,254	3.0%	0	6,112,254	3.0%	3.0%
Sterling Capital - Short-Term Bonds	-	9,993,906	4.9%	0	9,993,906	4.9%	6.0%
<b>Total U.S. Fixed Income</b>		<b>43,012,351</b>	<b>21.2%</b>	<b>1,500,000</b>	<b>44,512,351</b>	<b>21.9%</b>	<b>23.0%</b>
<b>Cash &amp; Equivalents</b>							
Federated Govt. Obligations MM Fund	GOIXX	4,271,820	2.1%	0	4,271,820	2.1%	1.0%
<b>Total Cash &amp; Equivalents</b>		<b>4,271,820</b>	<b>2.1%</b>	<b>0</b>	<b>4,271,820</b>	<b>2.1%</b>	<b>1.0%</b>

Market Values as of May 11, 2023.

	Pre-Rebalancing Allocations				Post-Rebalancing Allocations		
	Portfolio	Target	Difference		Portfolio	Target	Difference
U.S. Equity	50.76%	52.0%	-1.24%	U.S. Equity	50.76%	52.0%	-1.24%
Non-U.S. Equity	13.84%	14.0%	-0.16%	Non-U.S. Equity	13.10%	14.0%	-0.90%
Real Estate	12.15%	10.0%	2.15%	Real Estate	12.15%	10.0%	2.15%
Fixed Income	21.16%	23.0%	-1.84%	Fixed Income	21.90%	23.0%	-1.10%
Cash	2.10%	1.0%	1.10%	Cash	2.10%	1.0%	1.10%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>	<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>

# Fire projections

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities
2023	8,860,000	90,000	740,000	3,910,000	(4,300,000)	3,175,000
2024	9,090,000	90,000	770,000	2,950,000	(5,460,000)	4,937,000
2025	9,360,000	90,000	810,000	3,020,000	(5,620,000)	1,535,000
2026	9,670,000	90,000	840,000	2,120,000	(6,800,000)	-

# Fire rebalancing proposal

	TICKER	TOTAL ASSETS	ALLOCATIONS	REBALANCING	TOTAL ASSETS	ALLOCATIONS	TARGET
<b>Firemen Pension Plan</b>							
		125,493,041	100.0%	0	125,493,041	100.0%	100.0%
<b>U.S. Equity</b>							
Vanguard Equity Income Fund Admiral	VEIRX	7,542,851	6.0%	0	7,542,851	6.0%	6.0%
Vanguard Mid Cap Index	VMCIX	3,633,895	2.9%	0	3,633,895	2.9%	3.0%
Vanguard Total Stock Market Index	VITX	35,262,097	28.1%	0	35,262,097	28.1%	41.0%
Vanguard Total Stock Market Index ETF	VTI	14,763,578	11.8%	0	14,763,578	11.8%	
<b>Total U.S. Equity</b>		<b>61,202,420</b>	<b>48.8%</b>	<b>0</b>	<b>61,202,420</b>	<b>48.8%</b>	<b>50.0%</b>
<b>Global Equity</b>							
Dodge & Cox Global	DODWX	4,900,595	3.9%	0	4,900,595	3.9%	4.0%
<b>Total Global Equity</b>		<b>4,900,595</b>	<b>3.9%</b>	<b>0</b>	<b>4,900,595</b>	<b>3.9%</b>	<b>4.0%</b>
<b>Non-U.S. Equity</b>							
American Funds Int'l Growth & Income	RIGGX	7,603,387	6.1%	(700,000)	6,903,387	5.5%	6.0%
MFS Int'l Intrinsic Value Equity	MINJX	7,763,182	6.2%	(900,000)	6,863,182	5.5%	6.0%
<b>Total Non-U.S. Equity</b>		<b>15,366,569</b>	<b>12.2%</b>	<b>(1,600,000)</b>	<b>13,766,569</b>	<b>11.0%</b>	<b>12.0%</b>
<b>Real Estate</b>							
Morgan Stanley PRIME Property Fund (as of 3/31/23)	-	15,515,909	12.4%	0	15,515,909	12.4%	10.0%
<b>Total Real Estate</b>		<b>15,515,909</b>	<b>12.4%</b>	<b>0</b>	<b>15,515,909</b>	<b>12.4%</b>	<b>10.0%</b>
<b>U.S. Fixed Income</b>							
Vanguard Total Bond Market Index Inst	VBPIX	10,970,558	8.7%	1,600,000	12,570,558	10.0%	9.0%
Baird Core Plus Bond Fund	BCOIX	3,825,818	3.0%	0	3,825,818	3.0%	3.0%
Sterling Capital - Short-Term Bonds	-	10,210,531	8.1%	0	10,210,531	8.1%	11.0%
<b>Total U.S. Fixed Income</b>		<b>25,006,907</b>	<b>19.9%</b>	<b>1,600,000</b>	<b>26,606,907</b>	<b>21.2%</b>	<b>23.0%</b>
<b>Cash &amp; Equivalents</b>							
Federated Govt. Obligations MM Fund	GOIXX	3,500,641	2.8%	0	3,500,641	2.8%	1.0%
<b>Total Cash &amp; Equivalents</b>		<b>3,500,641</b>	<b>2.8%</b>	<b>0</b>	<b>3,500,641</b>	<b>2.8%</b>	<b>1.0%</b>

Market Values as of May 11, 2023.

	Pre-Rebalancing Allocations			Post-Rebalancing Allocations		
	Portfolio	Target	Difference	Portfolio	Target	Difference
U.S. Equity	50.92%	52.0%	-1.08%	50.92%	52.0%	-1.08%
Non-U.S. Equity	14.00%	14.0%	0.00%	12.73%	14.0%	-1.27%
Real Estate	12.36%	10.0%	2.36%	12.36%	10.0%	2.36%
Fixed Income	19.93%	23.0%	-3.07%	21.20%	23.0%	-1.80%
Cash	2.79%	1.0%	1.79%	2.79%	1.0%	1.79%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>

# O&E Projections<sup>1</sup>

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities
2023	1,440,000	60,000	0	230,000	(1,270,000)	935,000
2024	1,320,000	50,000	0	190,000	(1,180,000)	1,232,000
2025	1,220,000	50,000	0	180,000	(1,090,000)	1,106,000
2026	1,110,000	40,000	0	110,000	(1,040,000)	110,000

<sup>1</sup>Provided by Cheiron.

# O&E rebalancing proposal

	TICKER	TOTAL ASSETS	ALLOCATIONS	REBALANCING	TOTAL ASSETS	ALLOCATIONS	TARGET
<b>Officers &amp; Employee Pension Plan</b>							
		7,377,208	100.0%	0	7,377,208	100.0%	100.0%
<b>U.S. Equity</b>							
Vanguard Equity Income Fund Admiral	VEIRX	300,155	4.1%	(5,000)	295,155	4.0%	4.0%
Vanguard Mid Cap Index	VMCIX	152,284	2.1%	(5,000)	147,284	2.0%	2.0%
Vanguard Total Stock Market Index	VITSX	2,070,669	28.1%	(40,000)	2,030,669	27.5%	27.5%
<b>Total U.S. Equity</b>		<b>2,523,107</b>	<b>34.2%</b>	<b>(50,000)</b>	<b>2,473,107</b>	<b>33.5%</b>	<b>33.5%</b>
<b>Global Equity</b>							
Dodge & Cox Global	DODWX	218,390	3.0%	0	218,390	3.0%	3.0%
<b>Total Global Equity</b>		<b>218,390</b>	<b>3.0%</b>	<b>0</b>	<b>218,390</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Non-U.S. Equity</b>							
American Funds Int'l Growth & Income	RIGGX	382,276	5.2%	(15,000)	367,276	5.0%	5.0%
MFS Int'l Intrinsic Value Equity	MINJX	350,795	4.8%	(20,000)	330,795	4.5%	4.5%
<b>Total Non-U.S. Equity</b>		<b>733,071</b>	<b>9.9%</b>	<b>(35,000)</b>	<b>698,071</b>	<b>9.5%</b>	<b>9.5%</b>
<b>U.S. Fixed Income</b>							
Sterling Capital - Short-Term Bonds	-	3,434,078	46.5%	0	3,434,078	46.5%	52.0%
<b>Total U.S. Fixed Income</b>		<b>3,434,078</b>	<b>46.5%</b>	<b>0</b>	<b>3,434,078</b>	<b>46.5%</b>	<b>52.0%</b>
<b>Cash &amp; Equivalents</b>							
Federated Govt. Obligations MM Fund	GOIXX	468,562	6.4%	85,000	553,562	7.5%	2.0%
<b>Total Cash &amp; Equivalents</b>		<b>468,562</b>	<b>6.4%</b>	<b>85,000</b>	<b>553,562</b>	<b>7.5%</b>	<b>2.0%</b>

Market Values as of May 11, 2023.

	Pre-Rebalancing Allocations				Post-Rebalancing Allocations		
	Portfolio	Target	Difference		Portfolio	Target	Difference
U.S. Equity	35.83%	35.0%	0.83%	U.S. Equity	35.15%	35.0%	0.15%
Non-U.S. Equity	11.27%	11.0%	0.27%	Non-U.S. Equity	10.79%	11.0%	-0.21%
Fixed Income	46.55%	52.0%	-5.45%	Fixed Income	46.55%	52.0%	-5.45%
Cash	6.35%	2.0%	4.35%	Cash	7.50%	2.0%	5.50%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>	<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>

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